



Banco Palmas: Solidarity Finance in Conjunto Palmeiras

Highlights Banco Palmas is one of the early examples of solidarity finance. Emerging from a peri-urban slum in Brazil, this initiative is based on three key pillars: small, community-sanctioned loans; a local currency (to keep wealth circulating within the neighbourhood); and professional training (to generate local entrepreneurship and a skilled workforce). Participatory deliberative and decision-making spaces created by Banco Palmas include: the Local Economic Forum, Management Council, and Block Councils. In the twenty years since its founding, the impact of Banco Palmas has gone well beyond the neighbourhood of Conjunto Palmeiras. It has prompted the creation of a network of community-based banks (CDBs) across Brazil and is at the forefront of technological innovations related to e-currencies and other financial instruments such as credit cards backed by social currencies.

Introduction

Fortaleza is a major tourist destination in Brazil, full of high-end resorts along its sandy coastline. Until the 1970s, Fortaleza's landscape was a mix between these vacation destinations and favelas. However, with the growth of tourism and accompanying processes of urban land development, in 1973 the local municipality passed a policy aimed at driving poorer residents out of the town centre. As a result of the displacement of 1,500 low-income families, to a swampy area 22Km from Fortaleza, the neighbourhood of Conjunto Palmeiras was born. Within a very short period, the area had turned into a peri-urban slum of 30,000 inhabitants.

With the fall of Brazil's 20-year long dictatorship, civil associations and community activism movements, which had



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been banished or inhibited for many years, began to flourish. In this context, the neighbourhood association ASMOCONP (Association of Inhabitants of Conjunto Palmeiras) was founded in 1981, and by the end of the 1990s, as a result of almost continuous advocacy efforts by ASMOCONP, basic infrastructure in Conjunto Palmeiras finally began to improve. However, the socio-economic conditions of the community members did not; in fact, they drastically deteriorated. Since the infrastructural improvements had been made without a corresponding growth in local income, the development drove out its own residents. ASMOCONP began to redefine its priorities to urgently find strategies for income generation that would reduce the high economic risk faced by the community.

ASMOCONP's shifting priorities began a new phase in the history of Conjunto Palmeiras, one in which the community development bank Banco Palmas would play a central role. Banco Palmas was founded in 1998 with a donation from a local NGO, Cearah Periferia, at a time when microfinance was emerging in Brazil. However, this initiative was different from conventional microcredit organisations based on market-oriented principles. It is founded on a basis of solidarity finance and supporting community self-organisation towards economic empowerment.

Timeline

1973	1981	1980s	1998	2003	2012
Local municipality policy drives slum residents out of the centre of Fortaleza	ASMOCONP is founded	End of dictatorship gives space for civic groups to emerge	Banco Palmas is founded	Creation of the Institute of Development and Solidarity Economy, Instituto Palmas	CDB network reaches 68 members

How It Works

The bank emerged after 96 consultation meetings with producers, traders, and residents of Conjunto Palmeiras. The theoretical and philosophical foundations of liberation theology and Paul Singer's principles for cooperativism underpinned its design. Therefore, people are not only clients; there is also an explicit goal of attaining their emancipation as citizens and entrepreneurs through its *empreendimentos solidários* (solidarity businesses) – small businesses founded by ASMOCONP which employ, train, and serve the local community. Some examples include PalmaLimpe (produces cleaning products) and PalmArte (makes handicrafts). In their own words they have prompted the creation of a network of *Prosumadores* where neighbours become all three: producers, consumers and social change agents.

Banco Palmas aims to create a “solidarity network” which integrates local producers and consumers so that local wealth circulates within the community rather than flowing out. It is founded upon upon three pillars meant to be used in combination with microcredit:

- mapping local production and consumption;
- professional training; and
- a social currency.

The first pillar focuses on mapping local trends of production and consumption. The mapping identified that only 20 per cent of household income stayed within the community, and that this lack of local consumption was one of the main factors driving poverty in Conjunto Palmeiras.

Until the late 2000s, this mapping exercise was carried out annually and informed decisions about the type of small businesses that should be supported through credit and correspondent professional training courses. These local businesses filled a gap in local production and encouraged residents to shop locally.

Seeking to further enhance local wealth circulation, Banco Palmas introduced *Palmas* in 2002, an alternative social currency. The Palmas was indexed one to one to Brazil's national currency, the Real, and can be exchanged at any time in the Bank. This social currency pillar, albeit with some modifications, is still central to Banco Palmas.

Currently, the bank has two credit lines: one in reais and another one in Palmas. Those who use the social currency receive discounts from 240 local businesses trading in the currency, which in turn profit by gaining clients' loyalty. Businesses and producers can exchange Palmas for reais in order to be able to stock their shops and buy raw materials. The social currency has had the added benefit of strengthening a common identity. This revaluation of identity is also a political strategy and part of the associative character of community development banks.

Enabling Participation

Within Banco Palmas, three main spaces for participation have been created to bring people together for deliberation, social control, and, at times, decision-making.

1. ***Fórum Econômico Local* (Local Economic Forum)** is a monthly meeting where those concerned with the local economy can come together to discuss business matters relevant to Conjunto Palmeiras, such as new businesses to be promoted. The Forum is based on the premise that any community member regardless of education and training can contribute to solutions to local issues. No official control or decision-making power is held by this forum, but it is central to understanding the pulse of the community. Many ideas emerge from this Forum which later are evaluated and if possible, implemented by Banco Palmas staff, such as a local computing school in Conjunto Palmeiras (Jayo, Pozzebon and Diniz 2009).
2. ***Conselho Gestor* (Management Council)** is formed of approximately 25 members. The Council members represent different areas of work and activities within Conjunto Palmeiras. Members are invited to join the Council by Banco Palmas staff who take into consideration their life trajectories, commitment to social causes, community development, emancipation and social justice. It is stipulated that 90 per cent of the Council members are residents of the community.

The main functions of the council are centred on accompanying the bank's actions; monitoring its results; conducting social audits; bringing topics relevant for residents of Conjunto Palmeiras into the discussion; bridging communication between Banco Palmas and the residents; suggesting and approving new projects, products and financial services; promoting exchanges amongst the council members to strengthen actions of each organisation they represent; and channelling information through solidarity economy fora at different levels (Instituto Banco Palmas 2019).

3. ***Conselho do Quarteirão* (Block/Neighbourhood Council)** is an associative space which brings together residents of a particular block. The main objective of this council is to take care of the block, which means monitoring and voting for actions that would improve quality of life related to the urban landscape, mobility, culture, recreation, etc.

These councils are not legally constituted, but they have certain operational guidelines geared towards strengthening community relationships, fostering solidarity and cooperation amongst residents, empowering residents to become drivers of their own change, and collective responsibility for undertaking actions in the public interest, amongst others. Any resident from that vicinity can join and be active in the council and there is rotating leadership in order to avoid concentration of power.

Outcomes

By 2010, 1,800 families were being served by Banco de Palmas' credit lines (Instituto Banco Palmas 2010), and the number of local purchases increased from the previous 20 per cent (1997) to 93 per cent (2009) of the community spending (de França Filho, Júnior and Rigo 2012). Beyond Conjunto Palmeiras, CBDs have now spread across Brazil. As of 2019, the Brazilian Network of Community Banks has had CDB members, spread through 90 cities, in 20 out of Brazil's 27 states (Instituto Banco Palmas 2018).

Since its creation Banco Palmas has heightened the connection of people within the community by investing in the local capacity of production, of service generation, and of consumption. A study was carried out in 2008 to understand if this shift in paradigm had been felt by the residents. The vast majority of participants in the survey (90 per cent) declared that Banco Palmas had improved their lives. Of those surveyed, 25 per cent experienced increased income, 20 per cent were able to find employment, 23 per cent got to know more people in the community and 12 per cent said that it had brought new projects to the community (de França Filho *et. al.* 2012).

Banco Palmas has pioneered resistance to mainstream financial institutions and practices that are not accessible in low income communities, offering both discourse and actions focused on the solidarity economy and collective action. Furthermore, Banco Palmas has developed open deliberative spaces where all voices can contribute.

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